



**CALFED
BAY-DELTA
PROGRAM**

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M e m o r a n d u m

Date: May 23, 1996

To: CALFED Management Team

From: Lester A. Snow
Executive Director

Subject: Category III Crediting

At its last meeting, the CALFED instructed the CALFED Bay-Delta Program to develop a policy and procedures for allowing contributors to the Category III Program a credit against their obligations on long-term ecosystem obligations. Outlined below is a recommended policy and procedure for implementing the credit program for the 1996 contribution year. There are certain issues which, due to the status of the CALFED Bay-Delta Program, cannot be definitively resolved at this time:

- The exact identity of the agency(s) or institution(s) which will be implementing the ecosystem components of the long-term solution and redeeming the credits.
- The exact type of charges which will be assessed in the future, and the instrument by which the charges will be collected.
- The exact timing of redemption of the credits.

So that the Category III Program can go forward with contributors having confidence that their concerns will be resolved equitably, a policy and procedures statement should be formally issued. Some entities are considering additional funding as early as June/July 1996. As such, a basic policy commitment is necessary within the next 30-45 days.

Draft Policy Statement

CALFED Bay-Delta Program or its successor(s) in implementing the long-term solution shall credit entities which have contributed funding to the Category III Program during the 1995 and 1996 funding cycles an amount toward payment of obligations resulting from

CALFED Agencies

California

The Resources Agency
Department of Fish and Game
Department of Water Resources
California Environmental Protection Agency
State Water Resources Control Board

Federal

Environmental Protection Agency
Department of the Interior
Fish and Wildlife Service
Bureau of Reclamation
Department of Commerce
National Marine Fisheries Service

implementation of ecosystem components of the CALFED Bay-Delta Program's long-term solution. The credit shall be equal to the amount of funding provided by such entity adjusted to reflect the future value of such contribution at the time such obligation would have otherwise been assessed against the entity receiving the credit. The adjustment for the future value shall be made based on increases in construction costs as reflected in an appropriate independent cost index. CALFED or its successor(s) shall maintain records of credits, and will apply credits toward future ecosystem funding obligations of credited entities.

Procedure for Obtaining Credit

1. Applicant submits proposal letters to CALFED via CALFED Bay-Delta Program Executive Director describing amount and timing of Category III cash contribution and requesting credit against future obligations relating to the CALFED Bay-Delta Program long-term solution ecosystem components.
2. CALFED Bay-Delta Program staff reviews proposal and makes recommendation to CALFED to approve granting credit for contribution.
3. CALFED considers proposal and approves granting credit.
4. CALFED Bay-Delta Program sends letter to applicant confirming granting of credit based on terms described in proposal letter and payment being made to the designated administrator for Category III.

Recording and Application of Credit

- CALFED will maintain records of credits granted.
- CALFED will adjust the amount of the credit to reflect inflation as determined by an appropriate independent cost index. Adjustment starting date will be the date of payment to the Category III administrator.
- Upon identification of cost composition and timing of CALFED components which result in financial obligations to credit holders, CALFED Bay-Delta Program staff (or its successors in implementing the long-term solution) will arrange a schedule for application of the credited amounts against financial obligations in consultation with credit holders. Credits will be applied to offset obligations as soon as feasible subject to overall cash flow requirements of the implementation program. The schedule for application of the credits will provide for application of all outstanding credits prior to completion of the implementation of the long-term solution.